



AARP Policy Proposals Idaho Statement WHCOA

AARP and its many volunteer leaders are pleased to participate in the White House Conference on Aging events that are underway throughout the nation and that will culminate in Washington DC in October, 2005. We thank you for the opportunity to present our ideas about public policies and services to enable America's population to age with independence and dignity.

Our nation's public policies should permit people to plan and live empowered lives. That belief drives AARP's thinking about how best to ensure economic and health security, as well as how to best provide a social safety net. For economic security, we must address retirement planning, pensions, savings, investments, employment, and Social Security. Health policy must focus on health care cost containment, as well as address future healthcare delivery systems, prescription drug affordability, long term care (LTC) issues, health promotion and disease prevention, home and community based care, and health-related insurance options. And our array of social services policies should enhance the quality of life not only for older persons, but all individuals as they age in "livable" communities that offer accessible and user-friendly options in housing, transportation, and supportive services.

Meeting these long range goals means that America must also make investments that:

- Ensure persons aged 50+ have access to and can effectively navigate information and referral networks that aid in maintaining independence and dignity,
- Maintain and strengthen volunteer and community service opportunities,
- Provide leisure activities that promote healthy dispositions toward living,
- Ensure lifelong learning opportunities that maintain mental alertness, and
- Encourage positive and effective marketplace responses to consumer needs for services and products, especially using advanced technology.

AARP believes that there has never been a more pressing need for public dialogue about how our nation will address the diverse needs of an aging population. The population aged 65+ is projected to grow by 38 percent in the next couple of decades. At the start of the 20th century, only 13 percent of the population was age 50 or older. Today--over a century later--those aged 50+ comprise over 27% of the population, and this trend is expected to continue for well into the future.

AARP was one of the first organizations specifically to focus on the vast Baby Boom generation and look at that generation's particular needs as they age. Our goal as an

organization is to help people aged 50+ have independence, choice and control in ways that are beneficial and affordable for them and for society as a whole. There are two sides to the goal – the quality of life for older persons and the maintenance of policies to support them.

At the top of our Economic Security agenda is preservation of a strong Social Security program. Our goal is that Americans of all ages can rely on a Social Security system that is solvent for the long term and maintains a secure benefit with income protection features. Yet Social Security, while a solid foundation, is not enough for a secure retirement. AARP believes that a secure retirement rests on 4 pillars: Social Security, pensions and savings, earnings from continued work, and health insurance. Social Security is the strongest pillar; in fact, it is the principal source of income for two out of three older Americans. That fact is not expected to change when the Boomers retire.

Unlike most pension plans and personal investments, Social Security provides a lifetime, guaranteed benefit that is adjusted annually for inflation. In addition to retirees and their families, Social Security also provides monthly benefits to workers and their families when a wage earner becomes disabled or dies.

According to the latest report from the Social Security trustees, the program has sufficient resources to pay full benefits until 2042, and sufficient income to pay over 70 percent of benefits for decades thereafter. (The Congressional Budget Office, using somewhat different assumptions, projects 2052 as the exhaustion date.) The trustees project that in 2018 Social Security will for the first time experience a cash flow deficit, at which time trust fund interest earnings and bonds will have to be tapped to pay currently promised benefits.

In short, Social Security faces a manageable deficit that does not require overhauling the program. However, the sooner changes are made, the more modest they can be and the longer those affected will have to adjust their plans. There are no free-lunch solutions; realistic options require all of us to share in keeping Social Security strong.

AARP supports a number of changes to Social Security (e.g., raising the maximum level of wages subject to the payroll tax, adding newly hired state and local workers to Social Security, and diversifying trust fund investments) that represent a substantial down payment towards eliminating the long-term deficit. We are willing to look at other options within the context of an overall package.

AARP opposes diverting a portion of the current Social Security taxes into individual accounts. Instead, we support individual accounts in addition to Social Security. Transferring money from Social Security to private investment accounts will not strengthen the program. To the contrary, it will put Social Security at greater risk because less money will be available to pay promised benefits. Diverting Social Security money into individual accounts means many workers will have to pay twice – first, to keep our commitments to current retirees, and again to fund the private accounts. And,

this larger shortfall necessitates more substantial changes than would otherwise be needed to restore long-term solvency.

While only about half of today's workforce is covered by a pension, employer sponsored pension benefits are an important source of retirement income. But pensions have undergone dramatic changes—changes that underscore Social Security's importance as the most reliable pillar of retirement security. Prior to the 1980s, most employer-sponsored pension plans were traditional defined benefit plans that guaranteed longer serving employees a monthly benefit based on their service. In a defined benefit plan, the employer invests the entire pool of funds, bears the burden of investment risk and is governed by stringent fiduciary rules.

Increasingly, employers are shifting to defined contribution plans, where the individual bears the risk and responsibility for managing, investing, and preserving the investments. In addition, some defined benefit plans are being converted to cash balance plans, which can result in dramatic benefit reductions for older, longer serving employees. In fact, at least one district court has found that such plans violate federal laws governing age discrimination. AARP believes we must protect the benefits of older, long-service workers.

The private pension system must also be strengthened and expanded to improve retirement security for all workers. AARP supports shorter vesting periods, improved coverage standards and better disclosure requirements in order to increase the number of individuals receiving pensions and the average pension amount.

Pension plan under funding continues to be a problem as well. The Pension Benefit Guaranty Corporation (PBGC), which insures defined benefit plans, faces a growing deficit. AARP supports adequate funding rules to improve plan funding, protect the PBGC, and increase benefit security.

Another important aspect of economic security for older workers is continued earnings from work. Fighting age discrimination and unfair treatment is an essential element of AARP's strategy to ensure that older workers who want to continue in the workplace can do so. At the same time, it must be recognized that the American work force is also undergoing a major change – it is growing older. Workforce studies indicate that:

- Younger workers will not be sufficient to replace workers who retire and the increased presence of mature workers in the labor market means a declining percentage of workers under the age of 55;
- Workers 45 and over will represent 40% of the U.S. labor force by 2020 (30 million more than in 1990).

This shift will result in critical shortages of workers, according to the General Accounting Office (GAO), and will have a major impact on productivity and economic growth across the country. The nation's employers must therefore put in place the business models for recruiting from the transformed pool of applicants. We believe businesses that successfully recruit and retain mature workers will gain a competitive labor advantage as demographics shift. Labor policies must encourage public and private entities to collaborate in addressing their own economic well being and that of mature workers

seeking employment. These policies must also address two challenges: (1) GAO report findings that the effectiveness of the nation's workforce administration -- through its 3600 One Stop centers across the country -- has been inconsistent and unreliable in efforts to connect mature workers to employment and training opportunities; and (2) new regulatory efforts, intended to improve older worker participation in jobs programs, that can penalize the low income older workers who rely on those scarce employment and training opportunities.

No discussion of retirement security is complete without a discussion of the need for health security. We make the following recommendations regarding health issues for the White House Conference on Aging.

The Medicare program must be strengthened. Over 40 million older and disabled Americans rely on the Medicare program for their health insurance. Across the board we need to strengthen the traditional fee-for-service Medicare program for those who will continue to rely on it, even as other types of coverage options are expanded.

More must be done to bring down the high cost of health care. Beneficiaries should be protected from the continued growth in out of pocket health care expenses, which now consume about 22 percent of the income of the average beneficiary. In particular, unwarranted premium increases -- such as those experienced in the part B program this year -- that could result from corrections to Medicare payment rates for physicians and other health care providers must be addressed. In addition, the Medicare Part B deductible should be indexed to the general inflation rate (Consumer Price Index), not part B health costs, so that it more closely reflects changes in a beneficiary's cost of living.

While the enactment of a Medicare drug benefit was an important first step in helping millions of Americans gain access to needed medications, more needs to be done to strengthen the benefit. In addition, we must address the decade long double digit increase in the cost of drugs. AARP has launched a state-federal campaign designed to lower prescription drug prices and increase access to generic drugs. Steps include:

- Ensuring that if, under the new prescription drug law, private plans are not able to offer lower drug prices to beneficiaries, Medicare should be able to negotiate directly with drug makers so that the full weight of the program's more than 40 million beneficiaries is used to leverage the best prices.
- Legislation, like the Dorgan-Snowe bill, ensuring the safe importation of lower priced drugs, so that rules to help ensure safety and lower prices are incorporated into this already wide-spread practice.
- More "comparative effectiveness" research, to help determine which drugs to treat a given condition are most cost-effective, so that we know whether a more expensive drug is worth the extra money or whether a less costly drug provides the same value to the patient at a better price.
- Tying the rate at which premiums and other cost-sharing requirements in the drug benefit increase over time to the general inflation rate, not the rate at which spending increases in the Medicare drug benefit.

- Elimination of the asset test – and the negative savings message -- that denies subsidies to people with low-incomes who have managed to set aside some funds for retirement.

Millions of lower income elderly also rely on the Medicaid program. Funding for this federal-state partnership needs to be revised so that adequate resources are available, especially during economic downturns, in order to help those who cannot afford health care coverage on their own. Proposals to block grant or otherwise cap the amount of federal funds for the program are not a solution because they would inevitably force states to make harmful cuts. In addition, current Medicaid policies that guarantee long-term care coverage in nursing homes but not in the home and community-based settings that people prefer – and which often cost less – should be changed so people can get care in the settings of their choice.

Finally, health care coverage needs to be made affordable and available to everyone so that the ever-increasing number of people who do not have insurance can get the health care services that they need.

It is also important that policies support livable communities. User friendly housing options and transportation should be critical policy emphases moving forward if we are to provide a functional living environment for an aging America. We appreciate Senator Craig's role in requesting the recent GAO report on the mobility needs of older Americans to aid in the development of future transportation and mobility policy. Making the nation's communities more livable requires policies that:

- Encourage public-private partnerships that will increase available and functional housing stock in the diversity of urban, suburban and rural communities across the nation.
- Prevent the decline in the rural rental housing stock and restore funding to provide shelter to the most vulnerable elderly. Thirty-one percent of older rural renters are described as "worst case households" because they receive no housing assistance, live in poverty, and pay more than half their income for rent and utilities or live in severely substandard housing.
- Permit individuals to drive for as long as they may safely do so and put in place planned alternatives to driving when driving is no longer possible.
- Implement the GAO recommendation that the Administration on Aging develop guidance on assessing mobility needs and publicize information on alternative transportation services and practices.

Reauthorization of the Older Americans Act (OAA) will also be critical to our nation's safety net. AARP makes the following recommendations regarding how to make the OAA more responsive to the needs of today's mature and older Americans, as well as the soon to be retiring Boomer generation. Since OAA programs assist communities in meeting the challenges of an aging population, federal policies should:

- Expand the capacity of home and community based programs funded by the OAA to be coordinated with related federal and state program funds (e.g., Medicaid, state-only funded programs, and Social Services Block Grants);
- Restructure administrative operations where necessary to enable seniors, their families and representatives to more effectively navigate the various programs, services and information & referral networks that support the needs of older persons;
- Retain the separation between the assessment of eligibility and the provision of services to minimize eligibility assessments by entities with a financial interest;
- Expand the availability and use of self-directed services that enable consumers to coordinate and manage their own care, especially where technology can enhance benefits, service, and independence in more cost-effective ways;
- Maintain and strengthen the role of LTC Ombudsmen so that they can (a) provide information to the public and lawmakers, (b) comment on laws or regulations affecting care institutions, (c) execute their mission free of conflict of interest at any level, and (d) assure the confidentiality of complainants and program records;
- Maintain & monitor national performance standards to ensure equitable delivery of OAA services nationwide;
- Retain and monitor compliance with requirements for priority service to vulnerable older persons, i.e., those with greatest social and economic need, especially low income and older minorities;
- Ensure that cost-sharing, sliding scale fees and vouchers for service do not diminish participation or disadvantage access to service by populations with critical service needs;
- Maintain access to protective and advocacy services and programs that address problems of elder abuse, neglect and exploitation that range from institutional and domestic physical abuse to financial abuse and exploitation.

AARP believes that implementation of these recommendations can preserve the OAA's ability to fulfill its mission and deliver essential services while providing state and local flexibility to meet the needs of an aging America.

The upcoming White House Conference on Aging provides an important and timely opportunity for AARP and other interested parties to participate in a process that will advise national leaders and policymakers on the key issues facing older Americans. AARP is looking ahead with anticipation to the 2005 White House Conference on Aging and all the good work that we can do together. Thank you.